



**AASHTO Peer Review of the  
Tennessee Department of Transportation – Office of Internal Audit  
Review Period from November 6, 2006 through November 9, 2006**

**FINAL REPORT**

Peer Review Team Members

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November 9, 2006

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Ms. Bernstein,

We have completed a peer review of the Tennessee Department of Transportation's Internal Audit Office. Summarized below are the results of our review.

## **Objective and Purpose**

The primary objective was to perform a peer review of the quality control system in effect for the Tennessee Department of Transportation Internal Audit Office for the period March 1, 2005 through August 31, 2006. Professional auditing standards require a periodic external assessment of audit operations to determine if audit activities are independently and effectively performed. Consistent with this requirement, the objectives of our review were to:

- Assess the efficiency and effectiveness of the TDOT Internal Audit Office;
- Identify opportunities for improving internal audit operations; and
- Determine if the Office of Internal Audit's operating policies, procedures and practices are in compliance with professional audit standards.

The purpose of this peer review is to provide the Office of Internal Audit's management, organization management and outside users of the audit group's work, reasonable assurance that the Tennessee Department of Transportation Office of Internal Audit's internal quality control system is in compliance with applicable auditing standards, applicable organizational operating policies and procedures, as well as assess the efficiency and effectiveness of the internal audit activity.

## **Scope**

The peer review team used the *International Standards for the Professional Practice of Internal Auditing (2004 version)* promulgated by the Institute of Internal Auditors (IIA) to assess the TDOT audit function. Our review was conducted in conformity with the Peer Review Bylaws and other guidelines of the American Association of State Highway and Transportation Officials Standing Committee on Administration, Administrative Subcommittee on Internal and External Audit.

The scope of the review included:

- Questionnaires completed by the Internal Audit Director, Internal Audit Staff and select members of Senior and Operating Management
- Interviews held with the Commissioner of Transportation, Chief Engineer, Internal Audit Director, Internal Audit Staff and select members of Senior and Operating Management.
- Review of Internal Audit's internal control system and the policies, procedures, practices and information used for managing the audit group.
- Examination of a sample of audit files completed during the review period March 1, 2005 through August 31, 2006.

Fieldwork was conducted at the Tennessee Department of Transportation from November 6, 2006 through November 9, 2006.

## Opinion

The Tennessee Department of Transportation Office of Internal Audit generally complies with the *International Standards for the Professional Practice of Internal Auditing*. This implies that the Office of Internal Audit's quality control system was adequate and the quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance of conforming to applicable professional standards. Opportunities for improvement identified as a result of the peer review, but not considered to be of sufficient significance to affect the opinion expressed in this report, have been presented in a separate Management Letter.

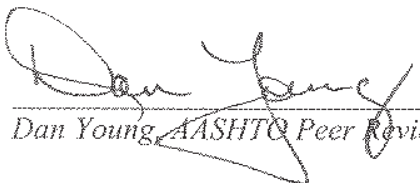
It should be noted that because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

## Closing Comments

We wish to thank the Tennessee Department of Transportation Internal Audit Office Staff and other representatives for their assistance and cooperation during our peer review.



Donna Roberts, Tennessee Peer Review Team Leader



Dan Young, AASHTO Peer Review Panel